

Message Text

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ACTION NEA-11

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FOLLOWING RECD FROM CALCUTTA SENT NEW DELHI, BOMBAY, MADRAS DATED
JUNE 12, 1978 BEING RPTD TO YOU.

QUOTE

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E.O. 11652: NA
TAGS: EINV, BEGN, IN
SUBJECT: SPERRY RAND CORPORATION AND GOI AGREE ON DISPOSITION
OF REMINGTON RAND INDIA

REF: 77 CALCUTTA 2520 AND PREVIOUS

1. REMINGTON RAND MANAGING DIRECTOR S.S. KAPUR TOLD US
ON JUNE 9 THAT THE GOI HAS RULED OUT DUNCAN BROS. AS A PURCHASE
OF THE SPERRY RAND CORPORATION (SRC) HOLDING IN
REMINGTON RAND INDIA (RRI), BUT WORKED OUT A
PROPOSAL FOR THE SALE OF THE U.S. HOLDING TO THE INDIAN
PUBLIC AND FINANCIAL INSTITUTIONS. IN A QUICK VISIT TO
NEW DELHI IN EARLY JUNE, CHARLES WOOD OF SRC AGREED TO
THE ARRANGEMENT, WHICH ACHIEVES SRC'S GOAL OF MORE THAN
A YEAR'S STANDING TO LIQUIDATE ITS HOLDING IN RRI, AS PART
OF SRC'S WORLDWIDE WITHDRAWAL FROM THE MANUAL OFFICE
MACHINE BUSINESS.

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PAGE 02 NEW DE 09122 130820Z

2. 581 THOUSAND SHARES OF RRI COMMON STOCK ARE ALREADY
IN INDIAN HANDS. ACCORDING TO THE AGREED ARRANGEMENT THE
PRESENT SRC HOLDING OF 605 THOUSAND SHARES WILL
BE DISPOSED OF THUS: 116 THOUSAND ON A RIGHTS
BASIS TO INDIANS ALREADY HOLDING SHARES, 135
THOUSAND IN A FIRM ALLOTMENT TO THREE GOI-CONTROLLED

FINANCIAL INSTITUTIONS; THE LIEFE INSURANCE CORPORATION, THE UNITED TRUST OF INDIA, AND THE GENERAL INSURANCE CORPORATION. THESE THREE FI'S WILL NORMALLY VOTE TOGETHER ON THE BOARD, AND THE SIZE OF THEIR BLOCK OF SHARES WILL DE FACTO MAKE THEM (THAT IS, THE GOI,) THE PREDOMINATE OWNERSHIP ELEMENT. 54 THOUSAND SHARES WILL GO TO RRI EMPLOYEES, WITH A CEILING OF 500 PER PERSON, AND 300 THOUSAND SHARES WILL BE SOLD BY PUBLIC ISSUE.

3. ALL SHARES IN THE ABOVE PACKAGE (PAR VALUE OF RS 10). WILL BE PRICED AT RS 17.50. RRI SHARES ALREADY ON THE OPEN MARKET ARE NOW SELLING AT ABOUT RS.25 (1978 RANGE: RS17-25). THIS MEANS THAT THE PUBLIC OFFERING WILL LIKELY BE OVERSUBSCRIBED, AND EACH BUYER WILL BE ALLOTTED A FRACTION (PERHAPS 10-15 PERCENT) OF THE SHARES HE ORDERS.

4. GANESAN, THE CONTROLLER OF CAPITAL ISSUES, AND THAKUR OF THE RBI IN BOMBAY HAVE AGREED THAT SRC'S PROCEEDS OF THE SALE, AFTER CAPITAL GAINS AND OTHER TAXES CAN BE REMITTED IN ONE INSTALLMENT, WHICH IS EXPECTED TO AMOUNT TO ABOUT RS 9 MILLION AND TO TAKE PLACE IN NOVEMBER OR DECEMBER OF THIS YEAR. SRC MUST NOW FILE AN APPLICATION FOR FORMAL PERMISSION TO GO FORWARD AS ABOVE, BUT THE LIMITED OFFICIAL USE

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PAGE 03 NEW DE 09122 130820Z

MATTER HAS BEEN AGREED TO IN PRINCIPLE BY THE GOI.

5. KAPUR, WHO IS VERY PLEASED WITH THIS OUTCOME, BELIEVES THE MATTER IS ESSENTIALLY SETTLED, AND THERE WILL BE NO FURTHER DEPARTURE FROM THE SCRIPT. HE DOES NOT SEE ANY GROUNDS FOR OBSTRUCTIVE LITIGATION BY GOENKA'S-DUNCAN BROTHERS COMPARABLE TO WHAT AROSE IN THE CASE OF LUDLOW JUTE. KAPUR BELIEVES THAT THE GOI, WHICH WILL SPEAK ON THE BOARD THROUGH THE FINANCIAL INSTITUTIONS, IS DELIGHTED TO SEE RRI CONTINUE UNDER PROFESSIONAL (I.E. KAPUR'S) MANAGEMENT, AND MAY WELL PUT IN FRESH CAPITAL FOR NEW VENTURES, PERHAPS INCLUDING ONES OUTSIDE RRI'S CURRENT PROFITABLE PRODUCT LINE. LYDON UNQUOTE BLOOD

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